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24 April 1962

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CENTRAL INTELLIGENCE BULLETIN



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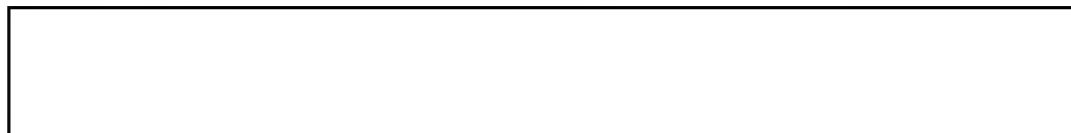
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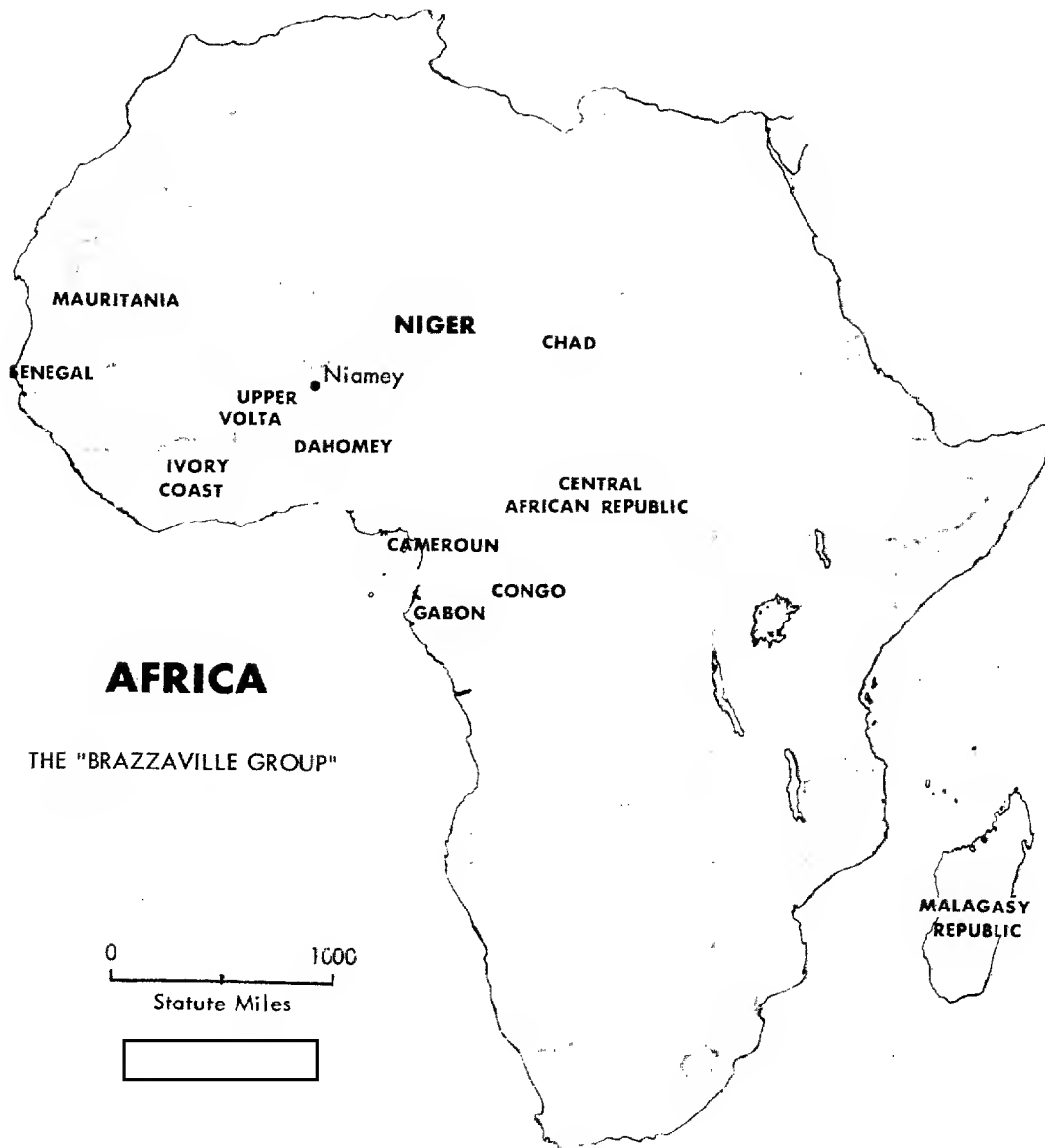
Nationalist China: [Stepped-up preparations for a return to the mainland have caused a sharp increase in Nationalist military]

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25X1 [expenditures since late last year. The government plans to allocate an additional \$36,000,000 above the \$170,000,000 budgeted for the fiscal year which ends 30 June, and there has been a substantial increase in bank credit. US officials on Taiwan predict an inflation which will endanger the present economic development program] [redacted] (Backup, Page 1) 25X1

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USSR-Agriculture: [The USSR has apparently decided to increase its support of agriculture, long slighted in Soviet investment allocations. Khrushchev told Gardner Cowles on 20 April that a definite decision had been made to invest "large amounts" in the production of fertilizer and agricultural machinery. Substantially increased supplies of these commodities would be necessary to help implement Khrushchev's new intensive row-crop system, under which crop rotation to grass is replaced by continuous annual cultivation of such crops as peas, beans, and corn, supplemented by chemical fertilizers.]

[Khrushchev stated at the March plenum that funds would not be transferred to agriculture "to the detriment of industrial development or of strengthening the defenses of the country." However, because Soviet investment in agriculture has constituted only a small portion of total investment--less than 20 percent in recent years--agricultural investment could be increased significantly by transferring a relatively small percentage of investment scheduled for other parts of the economy. Such transfers would not necessarily cut significantly into the planned increase in the output of industry, especially since the annual addition to industrial output has been larger than that required annually to achieve the 1965 targets.]

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Niger-USSR: [redacted]

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[redacted] Since last November, Niger's pro-Western President Diori has reluctantly approved trade agreements with

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[redacted] 25X1

25X1 Poland and Czechoslovakia, and Soviet attention to Niger has increased. The Soviet Union--like Poland--is said to have offered a sizable loan if Niger would agree to diplomatic representation.

[REDACTED]

25X1 However, pressures on Diori from leftist-oriented advisers and discontented "Young Turks" have increased to the point where Diori is said to feel that his government can survive only by making tangible progress toward a higher standard of living and "economic independence." [REDACTED] observers describe Diori as "desperate" and fear he may soon become the first leader of the generally Francophile "Brazzaville Group" to accept bloc diplomatic missions. [REDACTED] (Backup, Page 2) (Map)

25X1 Guatemala: President Ydigoras, evidently recognizing the precariousness of his position, is continuing his efforts to reach an accommodation with his non-Communist opposition. He has enlisted representatives of the diplomatic corps to observe efforts by a "citizens' committee" to mediate between the regime and the opposition. He has also invited 25 "prominent persons of unimpeachable reputation" to take posts in his government, implying that he would accept significant checks on his own power in return for their collaboration. According to the US ambassador, most responsible Guatemalans and foreign observers believe the President's position is in danger. Now that the Easter holidays are over, the public may be more receptive to efforts by Communist and other anti-Ydigoras forces to incite disorders which could lead the armed forces to force the President's resignation.

[REDACTED]

25X1 Western Europe: [REDACTED] The failure of the Common Market (EEC) foreign ministers to reach agreement last week on the treaty to establish a political union has aggravated certain basic differences which have become increasingly evident among the member countries. Belgium's Spaak told the US ambassador in Brussels that he took the lead in blocking the treaty because he remains "uncertain" whether De Gaulle wants Britain to join EEC and whether he envisages a united Europe as an equal partner with the US in an Atlantic [REDACTED]

[REDACTED]

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[framework, or is trying to build a European third force of allied nations dominated by a Paris-Bonn axis. Supported by the Dutch, Spaak made it clear at the meeting that he would not sign the treaty until assured of Britain's presence as a counterweight in both the EEC and the political union.] [redacted]

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*Argentina: President Guido has decided to withdraw from congress his request for modification in the law on the presidential succession and to end the special congressional session, according to Acting Interior Minister Lanusse. This law, as it now stands, requires Guido to issue a call for the election of a President and Vice President by 29 April. Lanusse did not indicate what date would be set for the elections, and there is considerable disagreement over whether they must be held within a specified time limit. The armed forces have been urging that they be held in six months and that, in the meantime, the federal government take control of the provinces.

Military pressure on Guido to take action has been mounting in the face of the continuing inability of congress to agree on legislation to deal with the Peronista problem and the reform of the electoral system. The air force and most of the army have called for the use of constitutional means to deal with the crisis, but the navy has become increasingly insistent that firm steps be taken to ban the Peronistas from office before the 26 April deadline for accepting recently elected congressional deputies. [redacted]

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[redacted]
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Inflationary Pressure on Taiwan

Chiang Kai-shek's obsession with returning to the mainland has consistently led him to subordinate the needs of the Taiwan economy to military preparations. Many Nationalist officials appear unconcerned about growing inflation and tend to believe that the United States has accepted responsibility for maintaining prosperity on Taiwan. K. Y. Yin, vice chairman of the Council for United States Aid, recently told an American official that "when things deteriorate far enough or fast enough, the United States will be forced to perform a rescue operation which will cost not \$10,000,000 but \$50,000,000 or \$100,000,000. Look at Korea, Vietnam, or Turkey."

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Defense spending in Nationalist China consumed about 13 percent of GNP and 50 percent of government expenditures in the fiscal year ending 30 June 1961. The sharp rise in military spending this year is an acceleration of an earlier trend; the defense budget of \$164,000,000 for FY 1961 exceeded the one for the previous year by 14 percent. The increased military expenditures are accompanied by increased deficit financing. The deficit for FY 1961 was \$16,000,000 in spite of \$73,000,000 of American aid. The deficit for FY 1962 is likely to be even larger on the basis of returns for the first half of the current year. The national debt has more than doubled in the last five years, amounting to \$75,000,000 at the end of FY 1961.

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Pressures on the Government of Niger

The "Young Turks," many of whom are sympathetic to ex-Premier Bakary and his Sawaba party, charge that the government is dominated by France. They point out that Diori owes his position to the French dismissal of Bakary after his advocacy of a "no" vote in the 1958 referendum on membership in the French Community. Students from Niger are susceptible to leftist or bloc influence while studying abroad, while many still in Niger are easily contacted by subversive agents across the long, unpoliced border with Mali. Leftists in Diori's government and personal entourage are vitiating his anti-Communist stand and exercising increasing influence on him.

Latent tribal animosities are also a threat to Diori's control. His own tribe, the Djerma, dominates the government, while the Hausas of the southeast, who produce at least 80 percent of the country's exports, are virtually unrepresented. Hausa anger over this situation could assume serious proportions should the government begin rigorous tax collection or enforce customs duties along the border with Nigeria, which the Hausas still cross freely to trade with the large Hausa population of northern Nigeria.

Niger's meager resources make any development dependent on outside assistance. The country is so primitive that the "Three-Year Plan" begun last year is only a basic survey on which to base a later development plan. The average per capita income is less than \$50, the nomadic Tuaregs in the north probably have no money income at all, and the government estimates that only 6 percent of the population is literate. The chief export, peanuts, has depended on a guaranteed French market at well above world prices which is expected to end with this year's crop, and direct French subsidies have made up over 50 percent of the budget. Other mutually beneficial economic ties with France are becoming a political liability to the government because of popular resentment over continued control of the economy by French business interests. Prospects of changes in French aid have occasioned talk of a

union with Nigeria, but Niger has little to offer that country, and officials in Lagos have said they have no desire to support a "depressed area."

Diori, like the leaders of the Ivory Coast, Dahomey, and Upper Volta, with whom Niger is loosely allied in the Conseil de l'Entente, wants to keep bloc presence out of the country. Last October a Soviet trade delegation left empty-handed because of Diori's strict orders to his ministers to sign nothing. A significant bloc breakthrough in Niger could have repercussions in other Entente states, especially Dahomey, where President Maga, disappointed by Western aid efforts, is confronted with powerful leftist personalities within his government who have long advocated closer ties with the bloc. One of these, Vice President Apithy, is planning to lead a good-will mission to Moscow and other Eastern capitals later this year.

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